

CITY OF CENTERVILLE  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2020

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-7
Basic Financial Statements:	
	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 9
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances	B 10
Reconciliation of the Statement of Cash Receipts,	
Disbursements and Changes in Cash Balances to the	
Cash Basis Statement of Activities and Net Position	C 11
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances	D 12
Reconciliation of the Statement of Cash Receipts,	
Disbursements and Changes in Cash Balances to the	
Cash Basis Statement of Activities and Net Position	E 13
Fiduciary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances	F 14
Notes to Financial Statements	15-30
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and	
Changes in Balances - Budget and Actual - All Governmental	
Funds and Proprietary Funds	32
Notes to Other Information - Budgetary Reporting	33
Schedule of the City's Proportionate Share of the Net Pension Liability	34
Schedule of City Contributions	35
Notes to Other Information – Pension Liability	36-37
Supplementary Information:	
	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in	
Cash Balances - Nonmajor Governmental Funds	1 39
Schedule of Cash Receipts, Disbursements and Changes in	
Cash Balances - Nonmajor Enterprise Funds	2 40
Schedule of Cash Receipts, Disbursements and Changes in	
Cash Balances - Internal Service Funds	3 41
Schedule of Indebtedness	4 42
Note Maturities	5 43
Schedule of Receipts by Source and Disbursements by Function -	
All Governmental Funds	6 44
Independent Auditor's Report on Internal Control over Financial Reporting	
and on Compliance and Other Matters Based on an Audit of Financial	
Statements Performed in Accordance with <u>Government Auditing Standards</u>	45-46
Schedule of Findings	47-49

City of Centerville

Officials

**(Before January 2020)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike O'Connor	Mayor	January, 2020
Jan Spurgeon	Council Member	January, 2020
Doc Sokol	Council Member	January, 2022
Jay Dillard	Council Member	January, 2020
Dianne Senior	Council Member	January, 2020
Ron Creagan	Council Member	January, 2022
Jason Fraser	City Administrator/City Clerk	Indefinite
Mike Craver	Attorney	Indefinite

**(After January 2020)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike O'Connor	Mayor	January, 2022
Jan Spurgeon	Council Member	January, 2024
Doc Sokol	Council Member	January, 2022
Jay Dillard	Council Member	January, 2024
Darrin Hamilton	Council Member	January, 2024
Ron Creagan	Council Member	January, 2022
Jason Fraser	City Administrator/City Clerk	Indefinite
Mike Craver	Attorney	Indefinite

City of Centerville



**FALLER, KINCHELOE & CO, PLC**

**Certified Public Accountants**

Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Centerville, Iowa, (City) as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

### *Basis for Adverse Opinion on Aggregate Discretely Presented Component Units*

The financial statements referred to above do not include financial data for the City's legally separate component units. The basis of cash receipts and disbursements require financial data for these component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The amount by which this departure would affect the receipts, disbursements and the cash basis balances of the government-wide financial statement for the omitted discretely presented component units has not been determined.

### *Adverse Opinion on Aggregate Discretely Presented Component Units*

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City as of June 30, 2020, or the changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

### *Unmodified Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2020, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

## Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements. We expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the legally separate component units. The financial statements for the two years ended June 30, 2012 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. Because of the significance of the matter described in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph above, it is inappropriate to, and we do not, express an opinion on the supplementary information.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 32 through 37, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Faller, Kincheloe & Co., PLC".

FALLER, KINCHELOE & CO., PLC

March 8, 2021

## Basic Financial Statements



## Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions / Programs:</b>							
Governmental activities:							
Public safety	\$ 2,628,651	695,533	234,675	3,482	(1,694,961)	-	(1,694,961)
Public works	1,067,178	621	813,663	-	(252,894)	-	(252,894)
Culture and recreation	434,397	38,460	56,588	75,000	(264,349)	-	(264,349)
Community and economic development	172,953	-	48,217	-	(124,736)	-	(124,736)
General government	321,076	46,003	4,060	-	(271,013)	-	(271,013)
Debt service	658,450	-	-	33,039	(625,411)	-	(625,411)
Capital projects	22,761	-	18,958	5,040	1,237	-	1,237
Total governmental activities	5,305,466	780,617	1,176,161	116,561	(3,232,127)	-	(3,232,127)
Business type activities:							
Sewer	1,268,521	1,222,636	10,546	-	-	(35,339)	(35,339)
Storm sewer	53,834	83,011	672	-	-	29,849	29,849
Airport	137,900	112,193	298	-	-	(25,409)	(25,409)
Total business type activities	1,460,255	1,417,840	11,516	-	-	(30,899)	(30,899)
Total	\$ 6,765,721	2,198,457	1,187,677	116,561	(3,232,127)	(30,899)	(3,263,026)
<b>General Receipts and Transfers:</b>							
Property tax and other city tax levied for:							
General purposes					2,046,442	-	2,046,442
Debt service					291,704	-	291,704
Other city tax					408,134	-	408,134
Local option sales tax					585,873	-	585,873
Commercial/industrial tax replacement					100,773	-	100,773
Hotel-Motel tax					91,626	-	91,626
Unrestricted interest on investments					17,460	-	17,460
Sale of capital assets					4,712	-	4,712
Loan principal and interest payback					29,788	7,569	37,357
Miscellaneous					659	5,133	5,792
Transfers					(276,555)	276,555	-
Total general receipts and transfers					3,300,616	289,257	3,589,873
Change in cash basis net position					68,489	258,358	326,847
Cash basis net position beginning of year					4,139,026	5,430,710	9,569,736
Cash basis net position end of year					\$ 4,207,515	5,689,068	9,896,583
<b>Cash Basis Net Position</b>							
Restricted:							
Nonexpendable:							
Cemetery perpetual care					\$ 192,484	-	192,484
Expendable:							
Streets					573,651	-	573,651
Local option sales tax					1,533,923	-	1,533,923
Debt service					322,709	21,638	344,347
Health plan trustee					77,888	10,933	88,821
Other purposes					402,846	-	402,846
Unrestricted					1,104,014	5,656,497	6,760,511
Total cash basis net position					\$ 4,207,515	5,689,068	9,896,583

See notes to financial statements.

**Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds**

As of and for the year ended June 30, 2020

	Special Revenue						Total
	General	Road Use Tax	Local Option Sales Tax	Employee Benefits	Debt Service	Nonmajor	
Receipts:							
Property tax	\$ 1,182,643	-	-	864,435	291,704	-	2,338,782
Other city tax	499,760	-	585,873	-	-	-	1,085,633
Licenses and permits	72,752	-	-	-	-	-	72,752
Use of money and property	19,420	-	-	-	1,404	177	21,001
Intergovernmental	241,372	733,826	-	-	20,057	46,075	1,041,330
Charges for service	612,151	-	-	-	-	-	612,151
Special assessments	-	-	-	-	31,635	-	31,635
Miscellaneous	249,653	-	-	65,154	-	97,919	412,726
Total receipts	2,877,751	733,826	585,873	929,589	344,800	144,171	5,616,010
Disbursements:							
Operating:							
Public safety	1,967,364	-	-	692,320	-	1,357	2,661,041
Public works	34,004	905,721	16,866	113,650	-	-	1,070,241
Culture and recreation	395,076	-	2,944	37,996	-	10,433	446,449
Community and economic development	143,808	-	29,145	-	-	-	172,953
General government	308,737	-	-	16,792	-	-	325,529
Debt service	-	-	-	-	658,450	-	658,450
Capital projects	-	-	-	-	-	22,761	22,761
Total disbursements	2,848,989	905,721	48,955	860,758	658,450	34,551	5,357,424
Excess (deficiency) of receipts over (under) disbursements	28,762	(171,895)	536,918	68,831	(313,650)	109,620	258,586
Other financing sources (uses):							
Sale of capital assets	4,712	-	-	-	-	-	4,712
Loan principal and interest payback	29,788	-	-	-	-	-	29,788
Transfers in	2,264	-	-	-	153,400	-	155,664
Transfers out	(120,281)	-	(311,938)	-	-	-	(432,219)
Total other financing sources (uses)	(83,517)	-	(311,938)	-	153,400	-	(242,055)
Change in cash balances	(54,755)	(171,895)	224,980	68,831	(160,250)	109,620	16,531
Cash balances beginning of year	884,151	745,546	1,308,943	173,132	482,959	296,676	3,891,407
Cash balances end of year	\$ 829,396	573,651	1,533,923	241,963	322,709	406,296	3,907,938
<b>Cash Basis Fund Balances</b>							
Nonspendable - Cemetery perpetual care	\$ -	-	-	-	-	192,484	192,484
Restricted for:							
Streets	-	573,651	-	-	-	-	573,651
Local option sales tax	-	-	1,533,923	-	-	-	1,533,923
Debt service	-	-	-	-	322,709	-	322,709
Health plan trustee	-	-	-	77,888	-	-	77,888
Other purposes	37,775	-	-	164,075	-	200,996	402,846
Assigned	214,640	-	-	-	-	13,013	227,653
Unassigned	576,981	-	-	-	-	(197)	576,784
Total cash basis fund balances	\$ 829,396	573,651	1,533,923	241,963	322,709	406,296	3,907,938

See notes to financial statements.

City of Centerville

Exhibit C

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position -  
Governmental Funds

As of and for the year ended June 30, 2020

**Total governmental funds cash balances (page 10)** \$ 3,907,938

***Amounts reported for governmental activities in the Cash Basis Statement  
of Activities and Net Position are different because:***

The Internal Service Funds are used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds and the cost of the flex plan. A portion of the cash balances of the Internal Service Funds are included in governmental activities in the Cash Basis Statement of Activities and Net Position.

299,577

**Cash basis net position of governmental activities (page 9)** \$ 4,207,515

**Change in cash balances (page 10)** \$ 16,531

***Amounts reported for governmental activities in the Cash Basis Statement  
of Activities and Net Position are different because:***

The Internal Service Funds are used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds and the cost of the flex plan. A portion of the change in cash balances of the Internal Service Funds are reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

51,958

**Change in cash basis net position of governmental activities (page 9)** \$ 68,489

See notes to financial statements.

City of Centerville

Exhibit D

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2020

	Enterprise			Internal Service
	Sewer	Nonmajor	Total	
Operating receipts:				
Rental income	\$ -	55,152	55,152	-
Charges for service	1,222,636	140,052	1,362,688	596,565
Miscellaneous	10,546	970	11,516	158,748
Total operating receipts	1,233,182	196,174	1,429,356	755,313
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	361,446
Public works	-	-	-	146,542
Culture and recreation	-	-	-	16,559
General government	-	-	-	113,129
Business type activities	631,986	139,493	771,479	63,654
Total operating disbursements	631,986	139,493	771,479	701,330
Excess of operating receipts over operating disbursements	601,196	56,681	657,877	53,983
Non-operating receipts (disbursements):				
Interest on investments	5,133	-	5,133	-
Debt service	(72,320)	-	(72,320)	-
Capital projects	(566,240)	(52,241)	(618,481)	-
Net non-operating receipts (disbursements)	(633,427)	(52,241)	(685,668)	-
Excess (deficiency) of receipts over (under) disbursements	(32,231)	4,440	(27,791)	53,983
Other financing sources (uses):				
Loan principal and interest payback	7,569	-	7,569	-
Transfers in	255,055	21,500	276,555	-
Total other financing sources (uses)	262,624	21,500	284,124	-
Change in cash balances	230,393	25,940	256,333	53,983
Cash balances beginning of year	4,834,877	558,832	5,393,709	284,620
Cash balances end of year	\$ 5,065,270	584,772	5,650,042	338,603
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Debt service	\$ 21,368	-	21,368	-
Health plan trustee	10,933	-	10,933	-
Unrestricted	5,032,969	584,772	5,617,741	338,603
Total cash basis fund balances	\$ 5,065,270	584,772	5,650,042	338,603

See notes to financial statements.

City of Centerville

Exhibit E

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position -  
Proprietary Funds

As of and for the year ended June 30, 2020

**Total enterprise funds cash balances (page 12)** \$ 5,650,042

***Amounts reported for business type activities in the Cash Basis Statement  
of Activities and Net Position are different because:***

The Internal Service Funds are used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds and the cost of the flex plan. A portion of the cash balances of the Internal Service Funds are included in business type activities in the Cash Basis Statement of Activities and Net Position.

39,026

**Cash basis net position of business type activities (page 9)**

\$ 5,689,068

**Change in cash balances (page 12)**

\$ 256,333

***Amounts reported for business type activities in the Cash Basis Statement  
of Activities and Net Position are different because:***

The Internal Service Funds are used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds and the cost of the flex plan. A portion of the change in the cash balances of the Internal Service Funds are reported with business type activities in the Cash Basis Statement of Activities and Net Position.

2,025

**Change in cash basis net position of business type activities (page 9)**

\$ 258,358

See notes to financial statements.

City of Centerville

Exhibit F

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Fiduciary Fund

As of and for the year ended June 30, 2020

	Agency
	Water
	Department
	Clearing
Additions:	
Reimbursement from Water Department	\$ 1,063,202
Total additions	<u>1,063,202</u>
Deductions:	
Payments made on behalf of Water Department	<u>1,049,563</u>
Total deductions	<u>1,049,563</u>
Change in cash balances	13,639
Cash balances beginning of year	<u>-</u>
Cash balances end of year - Restricted for health plan trustee	<u>\$ 13,639</u>

See notes to financial statements.

## City of Centerville

### Notes to Financial Statements

June 30, 2020

#### **(1) Summary of Significant Accounting Policies**

The City of Centerville (City) is a political subdivision of the State of Iowa located in Appanoose County. It was first incorporated in 1855 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides sewer and storm sewer utilities for its citizens.

##### **A. Reporting Entity**

Except as discussed below, for financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City (the primary government) and exclude the City's component units. The component units discussed below are not included in the City's reporting entity although their operational or financial relationships with the City are significant.

##### **Excluded Component Units**

The Centerville Municipal Waterworks (Waterworks) was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to, or impose specific financial burdens on the City. The Waterworks is governed by a five-member board appointed by the Mayor and approved by the City Council. The Waterworks' operating budget is subject to the approval of the City Council. Complete financial statements of the component unit, which will issue separate financial statements, can be obtained from the Waterworks administrative office.

The Friends of the Drake Public Library has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable purposes for the enhancement and improvement of the Centerville Public Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Friends of the Drake Public Library meets the definition of a component unit. Based on these criteria, the economic resources received or held by the Friends of the Drake Public Library are substantially for the direct benefit of the City of Centerville Public Library.

The Centerville Volunteers Firefighters Association has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable purposes for the enhancement and improvement of the Centerville Fire Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Centerville Volunteers Firefighters Association meets the definition of a component unit. Based on these criteria, the economic resources received or held by the Centerville Volunteers Firefighters Association are substantially for the direct benefit of the City of Centerville Fire Department.

The Drake Public Library Foundation has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable purposes for the enhancement and improvement of the Centerville Public Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Drake Public Library Foundation meets the definition of a component unit. Based on these criteria, the economic resources received or held by the Drake Public Library Foundation are substantially for the direct benefit of the City of Centerville Public Library.

#### Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Appanoose County Assessor's Conference Board, Appanoose County Emergency Management Commission, Appanoose County Joint E911 Service Board and the Rathbun Area Solid Waste Management Commission.

#### B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from the business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and the fiduciary fund, even though the latter are excluded from the government-wide financial statement. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and proprietary funds are aggregated and reported as nonmajor governmental funds, nonmajor enterprise funds and internal service funds.



The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for local option sales tax receipts and other receipts to be used for projects financed with these monies.

The Employee Benefits Fund is used to account for property tax receipts and other receipts to be used for the related payment of employee benefits.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary fund:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The City also reports the following additional proprietary funds:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

Additionally, the City reports a fiduciary fund which acts as a clearing account for payments made by the City on behalf of the Waterworks and the related reimbursements from the Waterworks.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2020, the City had no investments meeting the disclosure requirements of Government Accounting Standards Board Statement No. 72.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) **Economic Development Loan**

On April 16, 2018, the City approved an economic development loan agreement with RMA Armament, Inc. The City loaned \$236,814 to assist a manufacturing facility in the City. The loan bears interest at 2% per annum and is to be repaid in monthly installments of \$4,150.82 beginning in June 2018 until May 31, 2023, at which time the loan will be paid off. Payments during the fiscal year totaled \$37,357. As of June 30, 2020, the outstanding loan balance is \$156,607.

(4) **Notes Payable**

A summary of changes in notes payable for the year ended June 30, 2020 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Notes	\$ 5,280,000	-	525,000	4,755,000	535,000
Governmental activities total	\$ 5,280,000	-	525,000	4,755,000	535,000
Business type activities:					
Direct borrowings:					
Sewer Revenue Notes	\$ 816,000	-	56,000	760,000	57,000
Business-type activities total	\$ 816,000	-	56,000	760,000	57,000

General Obligation Notes

A summary of the City's June 30, 2020 general obligation notes payable is as follows:

Year Ending June 30,	Capital Loan Notes Series 2014B Issued November 4, 2016		
	Interest		
	Rates	Principal	Interest
2021	2.25%	\$ 435,000	69,738
2022	2.25%	445,000	59,950
2023	2.50%	455,000	49,937
2024	2.50%	470,000	38,562
2025	2.75%	480,000	26,812
2026-2030	2.75%	495,000	13,612
2031-2035		-	-
2036		-	-
		<u>\$2,780,000</u>	<u>258,611</u>

Year Ending June 30,	Urban Renewal Capital Loan Notes Issued July 19, 2016			Total		
	Interest					
	Rates	Principal	Interest	Principal	Interest	Total
2021	2.00%	\$ 100,000	51,150	535,000	120,888	655,888
2022	2.00%	100,000	49,150	545,000	109,100	654,100
2023	2.00%	105,000	47,150	560,000	97,087	657,087
2024	2.00%	105,000	45,050	575,000	83,612	658,612
2025	2.00%	110,000	42,950	590,000	69,762	659,762
2026-2030	2.00-3.00%	595,000	177,200	1,090,000	190,812	1,280,812
2031-2035	3.00%	700,000	88,500	700,000	88,500	788,500
2036	3.00%	160,000	4,800	160,000	4,800	164,800
		<u>\$1,975,000</u>	<u>505,950</u>	<u>4,755,000</u>	<u>764,561</u>	<u>5,519,561</u>

On November 4, 2014, the City issued \$4,165,000 of general obligation capital loan notes with interest rates ranging from 0.65% to 2.75% per annum. The notes were issued to pay costs of construction, reconstruction, and repairing of street and storm sewer improvements, with related site improvements, and acquisition, installation and repair of street lights and traffic signals. During the year ended June 30, 2020, the City paid \$425,000 of principal and \$79,300 of interest on the notes.

On July 19, 2016, the City issued \$2,370,000 of general obligation urban renewal capital loan notes with interest rates ranging from 2.00% to 3.00% per annum. The notes were issued to pay the costs of the acquisition, improvement and equipping of a swimming pool, and to pay the cost of issuance of the Notes. During the year ended June 30, 2020, the City paid \$100,000 of principal and \$53,150 of interest on the notes.

#### Direct Borrowings - Revenue Notes

A summary of the City's June 30, 2020 direct borrowings revenue notes payable is as follows:

Year Ending June 30,	Sewer Revenue Capital Loan Notes		Total		
	Issued March 8, 2013				
	Principal	Interest	Principal	Interest	Total
2021	\$ 57,000	13,300	57,000	13,300	70,300
2022	58,000	12,303	58,000	12,303	70,303
2023	59,000	11,287	59,000	11,287	70,287
2024	60,000	10,255	60,000	10,255	70,255
2025	61,000	9,205	61,000	9,205	70,205
2026-2030	326,000	29,488	326,000	29,488	355,488
2031-2032	139,000	3,662	139,000	3,662	142,662
	<u>\$ 760,000</u>	<u>89,500</u>	<u>760,000</u>	<u>89,500</u>	<u>849,500</u>

#### Direct Borrowings - Sewer Revenue Capital Loan Notes – 2013

On March 8, 2013, the City entered into a loan agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of sewer revenue capital loan notes of up to \$1,382,000 with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of construction of improvements to the sewer treatment plant and distribution system.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,382,000 in sewer revenue capital loan notes issued in March 2013. The notes are payable solely from sewer customer net receipts and are payable through 2032. Annual principal and interest payment on the bonds are expected to require less than 12% of net receipts. The total principal and interest remaining to be paid on the notes is \$849,500. For the current year, principal and interest paid and total customer net receipts were \$70,280 and \$601,196, respectively.

The resolution providing for the issuance of the sewer revenue capital loan notes include the following provisions:

- (a) The sewer revenue capital loan notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) User rates shall be established at a level which produces and maintains net revenues equal to at least 110% of the amount of principal and interest on the notes falling due in the same year.
- (c) Monthly transfers of 1/6 of the installment of interest next due and 1/12 of installment principal due shall be made to a sewer note sinking account for the purpose of making the note principal and interest payments when due.

(5) **Pension Plans**

**Iowa Public Employees Retirement System**

**Plan Description** - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

**Pension Benefits** – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

**Disability and Death Benefits** - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%

The City's contributions to IPERS for the year ended June 30, 2020 were \$164,710.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$897,505 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.0154992%, which was an increase of 0.000909% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$191,207, \$166,621 and \$208,133, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0 %	5.60 %
International equity	15.0	6.08
Global beta smart equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0 %	

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payment to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 1,729,732	897,505	199,613

**IPERS' Fiduciary Net Position** - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

### **Municipal Fire and Police Retirement System of Iowa (MFPRSI)**

**Plan Description** – MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at [www.mfprsi.org](http://www.mfprsi.org).

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

**Pension Benefits** – Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66% of the member's average final compensation. Members who perform more than 22 years of service receive an additional 2% of the member's average final compensation for each additional year of service, up to a maximum of 8 years. Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen, plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50% surviving spouse benefit.

Active members at least 55 years of age with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4 or 5 year DROP period. When electing to participate in DROP, the member signs a contract stating the member will retire at the end of the selected DROP period. During the DROP period, the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Disability and Death Benefits – Disability benefits may be either accidental or ordinary. Accidental disability is defined as a permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60% of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50% of the member's average final compensation for those with 5 or more years of service or the member's service retirement benefit calculation amount and 25% of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50% of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40% of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50% of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased annually in accordance with Chapter 411.6 of the Code of Iowa, which provides a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

Contributions – Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2020.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa, the City's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 24.41% for the year ended June 30, 2020.

The City's contributions to MFPRSI for the year ended June 30, 2020 totaled \$190,054.

If approved by the State Legislature, state appropriations may further reduce the City's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa, therefore, is considered to be a non-employer contributing entity in accordance with the provisions of Governmental Accounting Standards Board Statement No. 67, Financial Reporting for Pension Plans.

There were no state appropriations to MFPRSI during the year ended June 30, 2020.



Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$1,566,576 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the MFPRSI relative to the contributions of all MFPRSI participating employers. At June 30, 2019, the City's proportion was 0.238834%, which was a decrease of .008123% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$333,768, \$313,057 and \$115,622, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation	3.00%.
Salary increases	3.75 to 15.11%, including inflation.
Investment rate of return	7.50%, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2007 through June 30, 2017.

Postretirement mortality rates were based on the RP-2014 Blue Collar Combined Healthy Annuitant Table with males set forward zero years, females set forward two years and disabled individuals set-forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

The long-term expected rate of return on MFPRSI investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e., expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>
Large cap	5.5 %
Small cap	5.8
International large cap	7.3
Emerging markets	9.0
Emerging markets debt	6.3
Private non-core real estate	8.0
Master limited partnerships	9.0
Private equity	9.0
Core plus fixed income	3.3
Private core real estate	6.0
Tactical asset allocation	6.4

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed contributions will be made at 9.40% of covered payroll and the City's contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the MFPRSI's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on MFPRSI's investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate. 1% Discount 1%

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$2,550,660	1,566,576	751,561

MFPRSI's Fiduciary Net Position – Detailed information about MFPRSI's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at [www.mfprsi.org](http://www.mfprsi.org).

(6) **Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$604,814 and plan members eligible for benefits contributed \$129,933 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services.

In addition, for former employees that have been employed by the City on a full-time basis for over twenty years, the City will pay for 50% of the cost of the single health insurance premium to age 65, which results in an explicit subsidy.

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	44
Former employees	4
	<hr/>
Total	48
	<hr/>

(7) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, compensatory, and personal hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory and personal hours payable to employees at June 30, 2020, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Personal time	\$ 8,811
Compensatory time	47,333
Vacation	126,274
Total	<u>\$ 182,418</u>

This liability has been computed based on rates of pay in effect at June 30, 2020.

**(8) Interfund Loans**

During the year ended June 30, 2020, the Enterprise, Sewer Fund loaned \$500,000 to the General Fund to establish an emergency medical service for most of the residents of Appanoose County. This loan will be repaid from the General Fund. The interest rate on this loan is 3% and must be repaid in full, with interest, no later than June 31, 2023. The City repaid \$50,000 in principal on this loan during the year ended June 30, 2020. The principal balance on this loan at June 30, 2020 was \$200,000.

**(9) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	<u>\$ 2,264</u>
Debt Service	General	48,781
	Special Revenue:	
	Local Option Sales Tax	<u>104,619</u>
		<u>153,400</u>
Enterprise:	General	50,000
Sewer	Special Revenue:	
	Local Option Sales Tax	<u>205,055</u>
		<u>255,055</u>
Enterprise:	General	21,500
Airport		
Total		<u>\$ 432,219</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(10) Employee Health Insurance Plan**

The City self-funds a portion of health insurance deductibles for its employees. The plan is funded by both employee and City contributions and is administered by Employee Benefit Systems (EBS) under an agreement which is subject to automatic renewal. The City self-funds up to \$4,600 per individual or \$9,200 per family, with the employee responsible for \$400 for single coverage and \$800 for family coverage. Administrative service fees and premiums are paid monthly from the City's operating funds to a separate account administered by EBS. During the year ended June 30, 2020, the City paid \$74,368 into the account. At June 30, 2020, the account balance was \$102,460. The activity for this account is recorded in the City's Special Revenue, Employee Benefits Fund, the Enterprise, Sewer Fund and the Agency, Water Department Clearing Fund.

**(11) Lease Agreement**

The City is leasing the former National Guard building that the City owns. The lease term requires the tenant to pay the City \$3,418 per month for 120 months, beginning January 1, 2020. Total lease monies received by the City in relation to this lease was \$30,765 during the year ended June 30, 2020. The tenant has the option to purchase the property at any time during the lease for a pre-determined amount which varies based on when the tenant purchases the property.

**(12) Risk Management**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2020 were \$110,549.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2020, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$1,000,000 for each accident, \$1,000,000 memorandum limit, and \$1,000,000 each employee. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(13) Deficit Balance**

The Special Revenue, Animal Rescue Fund had a deficit balance of \$197 at June 30, 2020. This deficit balance was a result of costs incurred in excess of available income. This deficit will be eliminated from anticipated donations to be received in the future.

**(14) Commitments**

The City participates in a number of Federal and State grant/loan programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

Based on rates in effect as of June 30, 2020, the City is obligated to pay \$44,790 in total health insurance premiums for its former employees. Additional discussion about this program is documented in Note 6 above.

The City entered into an agreement with Centerville Senior Lofts, LLC to rebate property taxes paid on their property. The maximum rebate amount is \$465,000, or rebates for 15 years, whichever comes first. Through June 30, 2020, the City rebated \$25,966 to Centerville Senior Lofts, LLC. The first year of the property tax rebate was for fiscal year 2018 taxes.

During fiscal year 2020, the City entered into agreements for the purchase of street equipment, and the construction of a building. The balance remaining to pay on these projects was approximately \$240,000 at June 30, 2020. The equipment purchases and the construction costs will be paid when the merchandise is received or completed, which is anticipated to be in fiscal year 2021. The City intends to pay for these costs from existing cash reserves.

**(15) Fund Balances**

The City's restricted fund balance of \$37,775 in the General Fund as of June 30, 2020 consists of hotel/motel tax monies.

The City's assigned fund balance in the General Fund as of June 30, 2020 consists of the following:

Purpose	Amount
Fire Department	\$ 115,847
Cemetery Department	16,682
Crime Stoppers	15
Low to Moderate Income	30,000
Library	52,096
Total	<u>\$ 214,640</u>

**(16) COVID-19**

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Centerville, remains uncertain. To date, the outbreak has not created a material disruption to the operations of the City of Centerville. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Centerville's operations and finances.

**(17) Contingency**

The City Attorney reported that as of June 30, 2020, various claims and lawsuits were on file against the City. However, the probability and amount of loss, if any, is unable to be quantified.

**(18) Subsequent Events**

The City has evaluated subsequent events through March 8, 2021, which is the date that the financial statements were available to be issued.

**(19) Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

## Other Information

✓

City of Centerville

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2020

	(Unaudited)									
	Centerville Municipal Waterworks									
	Component Unit									
			Less		Less			Budgeted Amounts		
	Governmental	Proprietary	Funds not		Funds not			Original	Final	Final to
	Funds	Funds	Required to	Actual	Required to	Net	Total			Total
	Actual	Actual	be Budgeted		be Budgeted					Variance
Receipts:										
Property tax	\$ 2,338,782	-	-	-	-	-	2,338,782	2,209,462	2,209,462	129,320
Other city tax	1,085,633	-	-	-	-	-	1,085,633	1,241,307	1,241,307	(155,674)
Licenses and permits	72,752	-	-	-	-	-	72,752	96,945	96,945	(24,193)
Use of money and property	20,824	60,285	-	25,555	-	25,555	106,664	101,935	101,935	4,729
Intergovernmental	995,432	-	-	491,901	-	491,901	1,487,333	1,575,743	1,575,743	(88,410)
Charges for service	658,226	1,959,253	596,565	2,512,892	1,316,100	1,196,792	3,217,706	4,568,260	4,568,260	(1,350,554)
Special assessments	31,635	-	-	-	-	-	31,635	60,000	60,000	(28,365)
Miscellaneous	412,726	170,264	158,748	131,490	-	131,490	555,732	109,347	109,347	446,385
Total receipts	5,616,010	2,189,802	755,313	3,161,838	1,316,100	1,845,738	8,896,237	9,962,999	9,962,999	(1,066,762)
Disbursements:										
Public safety	2,661,041	361,446	361,446	-	-	-	2,661,041	2,840,183	2,885,954	224,913
Public works	1,080,674	146,542	146,542	-	-	-	1,080,674	720,394	1,116,768	36,094
Culture and recreation	436,016	16,559	16,559	-	-	-	436,016	575,901	618,049	182,033
Community and economic development	172,953	-	-	-	-	-	172,953	524,050	589,050	416,097
General government	325,529	113,129	113,129	-	-	-	325,529	357,454	357,454	31,925
Debt service	658,450	-	-	-	-	-	658,450	658,450	658,450	-
Capital projects	22,761	-	-	-	-	-	22,761	-	48,763	26,002
Business type activities	-	1,525,934	63,654	3,564,639	1,316,100	2,248,539	3,710,819	3,870,781	4,306,647	595,828
Total disbursements	5,357,424	2,163,610	701,330	3,564,639	1,316,100	2,248,539	9,068,243	9,547,213	10,581,135	1,512,892
Excess (deficiency) of receipts over (under) disbursements	258,586	26,192	53,983	(402,801)	-	(402,801)	(172,006)	415,786	(618,136)	446,130
Other financing sources, net	(242,055)	284,124	-	655,682	-	655,682	697,751	5,000	5,000	692,751
Change in fund balances	16,531	310,316	53,983	252,881	-	252,881	525,745	420,786	(613,136)	1,138,881
Balances beginning of year	3,891,407	5,678,329	284,620	822,941	-	822,941	10,108,057	10,254,718	10,254,718	(146,661)
Balances end of year	\$ 3,907,938	5,988,645	338,603	1,075,822	-	1,075,822	10,633,802	10,675,504	9,641,582	992,220

See accompanying independent auditor's report.



City of Centerville

Notes to Other Information - Budgetary Reporting

June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except for the Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$1,512,892. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements did not exceed the amounts budgeted.

City of Centerville

Schedule of the City's Proportionate Share of the Net Pension Liability

For the Last Six Years\*  
(In Thousands)

Other Information

Iowa Public Employees' Retirement System

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.015499%	0.014591%	0.014145%	0.016059%	0.015684%	0.015808%
City's proportionate share of the net pension liability	\$ 898	923	942	1,011	775	627
City's covered payroll	\$ 1,402	1,109	1,072	1,168	1,090	1,054
City's proportionate share of the net pension liability as a percentage of its covered payroll	64.05%	83.23%	87.87%	86.56%	71.10%	59.49%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

Municipal Fire and Police Retirement System of Iowa

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.238834%	0.246957%	0.242963%	0.246358%	0.223549%	0.240905%
City's proportionate share of the net pension liability	\$ 1,567	1,470	1,425	1,540	1,050	873
City's covered payroll	\$ 723	718	688	668	586	615
City's proportionate share of the net pension liability as a percentage of its covered payroll	216.74%	204.74%	207.12%	230.54%	179.18%	141.95%
MFPRSI's net position as a percentage of the total pension liability	79.94%	81.07%	80.60%	78.20%	83.04%	86.27%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Centerville

Schedule of City Contributions

For the Last Ten Years  
(In Thousands)

Other Information

Iowa Public Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 165	134	99	96	104	98	94	84	81	64
Contributions in relation to the statutorily required contribution	(165)	(134)	(99)	(96)	(104)	(98)	(94)	(84)	(81)	(64)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 1,725	1,402	1,109	1,072	1,168	1,090	1,054	961	*	*
Contributions as a percentage of covered-employee payroll	9.56%	9.56%	8.93%	8.96%	8.93%	8.99%	8.93%	8.74%	*	*

Municipal Fire and Police Retirement System of Iowa

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 190	188	184	178	185	178	185	159	165	126
Contributions in relation to the statutorily required contribution	(190)	(188)	(184)	(178)	(185)	(178)	(185)	(159)	(165)	(126)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 778	723	718	688	668	586	615	609	666	633
Contributions as a percentage of covered-employee payroll	24.41%	26.02%	25.68%	25.92%	27.69%	30.39%	30.12%	26.12%	24.76%	19.90%

\* - City's covered employee payroll information was not readily available. Therefore, contributions as a percentage of covered employee payroll could not be calculated.

See accompanying independent auditor's report.

City of Centerville

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Iowa Public Employees' Retirement System

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Municipal Fire and Police Retirement System of Iowa

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

The 2018 valuation changed postretirement mortality rates to the RP-2014 Blue Collar Healthy Annuitant Table with males set-forward zero years, females set-forward two years and disabled individuals set-forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

The 2017 valuation added five years projection of future mortality improvement with Scale BB.

City of Centerville

Notes to Other Information – Pension Liability

Year ended June 30, 2020

The 2016 valuation changed postretirement mortality rates to the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and disabled individuals set-forward one year (male only rates), with no projection of future mortality improvement.

The 2015 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in a weighting of 1/12 of the 1971 Group Annuity Mortality Table and 11/12 of the 1994 Group Annuity Mortality Table.

The 2014 valuation phased in the 1994 Group Annuity Mortality Table for post-retirement mortality. This resulted in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

## Supplementary Information

City of Centerville

Schedule 1

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue					Capital Projects	Permanent Cemetery	
	Special Assessment	Friends of Oakland Cemetery	Special Law Enforcement	Animal Rescue	Library Memorial	Airport Construction	Perpetual Care	Total
Receipts:								
Use of money and property	\$ -	-	25	-	152	-	-	177
Intergovernmental	-	-	41,035	-	-	5,040	-	46,075
Miscellaneous	-	-	155	323	75,000	18,958	3,483	97,919
Total receipts	-	-	41,215	323	75,152	23,998	3,483	144,171
Disbursements:								
Operating:								
Public safety	-	-	1,062	295	-	-	-	1,357
Culture and recreation	-	638	-	-	9,795	-	-	10,433
Capital projects	-	-	-	-	-	22,761	-	22,761
Total disbursements	-	638	1,062	295	9,795	22,761	-	34,551
Change in cash balances	-	(638)	40,153	28	65,357	1,237	3,483	109,620
Cash balances beginning of year	6,772	39,965	12,242	(225)	37,145	11,776	189,001	296,676
Cash balances end of year	\$ 6,772	39,327	52,395	(197)	102,502	13,013	192,484	406,296
<b>Cash Basis Fund Balances</b>								
Nonspendable - Cemetery perpetual care	\$ -	-	-	-	-	-	192,484	192,484
Restricted for:								
Other purposes	6,772	39,327	52,395	-	102,502	-	-	200,996
Assigned	-	-	-	-	-	13,013	-	13,013
Unassigned	-	-	-	(197)	-	-	-	(197)
Total cash basis fund balances	\$ 6,772	39,327	52,395	(197)	102,502	13,013	192,484	406,296

See accompanying independent auditor's report.

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Enterprise Funds

As of and for the year ended June 30, 2020

	Enterprise		
	Storm Sewer	Airport	Total
Operating receipts:			
Rental income	\$ -	55,152	55,152
Charges for service	83,011	57,041	140,052
Miscellaneous	672	298	970
Total operating receipts	83,683	112,491	196,174
Operating disbursements:			
Business type activities	1,593	137,900	139,493
Total operating disbursements	1,593	137,900	139,493
Excess (deficiency) of operating receipts over (under) operating disbursements	82,090	(25,409)	56,681
Non-operating receipts (disbursements):			
Capital projects	(52,241)	-	(52,241)
Net non-operating receipts (disbursements)	(52,241)	-	(52,241)
Excess (deficiency) of receipts over (under) disbursements	29,849	(25,409)	4,440
Transfers in	-	21,500	21,500
Change in cash balances	29,849	(3,909)	25,940
Cash balances beginning of year	511,820	47,012	558,832
Cash balances end of year	\$ 541,669	43,103	584,772
<b>Cash Basis Fund Balances</b>			
Unrestricted	\$ 541,669	43,103	584,772
Total cash basis fund balances	\$ 541,669	43,103	584,772

See accompanying independent auditor's report.



## City of Centerville

## Schedule 3

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Internal Service Funds

As of and for the year ended June 30, 2020

	Employee Health	Flex Plan	Total
Operating receipts:			
Charges for service:			
Personal service costs from operating funds	\$ 596,565	-	596,565
Miscellaneous:			
Employee contributions and refunds	125,042	33,706	158,748
Total operating receipts	<u>721,607</u>	<u>33,706</u>	<u>755,313</u>
Operating disbursements:			
Governmental activities:			
Public safety	361,446	-	361,446
Public works	146,542	-	146,542
Culture and recreation	16,559	-	16,559
General government	83,917	29,212	113,129
Business type activities	63,654	-	63,654
Total operating disbursements	<u>672,118</u>	<u>29,212</u>	<u>701,330</u>
Change in cash balances	49,489	4,494	53,983
Cash balances beginning of year	<u>284,499</u>	<u>121</u>	<u>284,620</u>
Cash balances end of year	<u>\$ 333,988</u>	<u>4,615</u>	<u>338,603</u>
<b>Cash Basis Fund Balances</b>			
Unrestricted	<u>\$ 333,988</u>	<u>4,615</u>	<u>338,603</u>
Total cash basis fund balances	<u>\$ 333,988</u>	<u>4,615</u>	<u>338,603</u>

See accompanying independent auditor's report.

City of Centerville

Schedule 4

Schedule of Indebtedness

Year ended June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Notes:									
Capital Loan Notes, Series 2014B	November 4, 2014	0.65-2.75%	\$ 4,165,000	3,205,000	-	425,000	2,780,000	79,300	-
Urban Renewal Capital Loan Notes	July 19, 2016	2.00-3.00%	2,370,000	2,075,000	-	100,000	1,975,000	53,150	-
Total				\$ 5,280,000	-	525,000	4,755,000	132,450	-
Revenue Notes:									
Sewer Revenue Capital Loan Notes	March 8, 2013	1.75%	\$ 1,382,000	816,000	-	56,000	760,000	14,280	-

See accompanying independent auditor's report.

## City of Centerville

## Schedule 5

## Note Maturities

June 30, 2020

Year Ending June 30,	General Obligation Notes				
	Capital Loan		Urban Renewal		Total
	Notes, Series 2014B		Capital Loan Notes		
	Issued November 4, 2014		Issued July 19, 2016		
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2021	2.25%	\$ 435,000	2.00%	\$ 100,000	535,000
2022	2.25%	445,000	2.00%	100,000	545,000
2023	2.50%	455,000	2.00%	105,000	560,000
2024	2.50%	470,000	2.00%	105,000	575,000
2025	2.75%	480,000	2.00%	110,000	590,000
2026	2.75%	495,000	2.00%	110,000	605,000
2027	-	-	2.50%	115,000	115,000
2028	-	-	2.50%	120,000	120,000
2029	-	-	2.50%	125,000	125,000
2030	-	-	3.00%	125,000	125,000
2031	-	-	3.00%	130,000	130,000
2032	-	-	3.00%	135,000	135,000
2033	-	-	3.00%	140,000	140,000
2034	-	-	3.00%	145,000	145,000
2035	-	-	3.00%	150,000	150,000
2036	-	-	3.00%	160,000	160,000
		\$ 2,780,000		\$ 1,975,000	4,755,000

Year Ending June 30,	Sewer Revenue Notes		
	Sewer Revenue Capital		
	Loan Notes		
	Issued March 8, 2013		
	Interest Rates	Amount	Amount
2021	1.75%	\$ 57,000	57,000
2022	1.75%	58,000	58,000
2023	1.75%	59,000	59,000
2024	1.75%	60,000	60,000
2025	1.75%	61,000	61,000
2026	1.75%	63,000	63,000
2027	1.75%	64,000	64,000
2028	1.75%	65,000	65,000
2029	1.75%	66,000	66,000
2030	1.75%	68,000	68,000
2031	1.75%	69,000	69,000
2032	1.75%	70,000	70,000
		<u>\$ 760,000</u>	<u>760,000</u>

See accompanying independent auditor's report.

City of Centerville

Schedule 6

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Receipts:										
Property tax	\$2,338,782	2,321,655	2,235,102	2,231,091	2,289,990	2,304,368	1,900,699	1,677,161	1,762,218	1,847,624
Tax increment financing	-	-	-	-	-	2,887	200,114	200,916	198,567	202,070
Other city tax	1,085,633	1,076,694	1,008,966	1,028,959	975,658	951,303	754,461	864,735	660,113	602,174
Licenses and permits	72,752	107,907	88,463	44,176	38,392	24,403	30,210	28,148	46,883	25,782
Use of money and property	20,824	37,447	76,520	94,438	22,138	22,154	17,608	20,151	9,027	15,215
Intergovernmental	995,432	1,148,828	1,481,827	1,030,326	1,951,912	1,096,336	1,148,545	752,638	1,066,706	1,129,631
Charges for service	658,226	311,615	162,035	130,384	131,764	147,931	307,912	182,808	160,691	148,134
Special assessments	31,635	32,841	68,913	117,052	-	-	-	-	-	6,772
Miscellaneous	412,726	588,951	586,323	242,929	453,240	199,610	153,167	342,623	180,572	337,974
Total	<u>\$5,616,010</u>	<u>5,625,938</u>	<u>5,708,149</u>	<u>4,919,355</u>	<u>5,863,094</u>	<u>4,748,992</u>	<u>4,512,716</u>	<u>4,069,180</u>	<u>4,084,777</u>	<u>4,315,376</u>
Disbursements:										
Operating:										
Public safety	\$2,661,041	2,873,565	1,990,108	1,798,185	2,124,324	1,888,690	1,736,978	1,809,919	1,777,186	1,681,900
Public works	1,080,674	737,434	811,589	864,144	837,524	785,395	689,925	493,781	552,119	935,351
Culture and recreation	436,016	695,196	1,209,199	1,787,550	2,110,356	630,482	467,520	360,912	340,130	397,665
Community and economic development	172,953	104,137	248,580	148,247	352,782	493,875	45,206	72,196	16,235	53,003
General government	325,529	356,582	734,905	430,401	451,303	281,286	372,369	412,204	341,302	277,194
Debt service	658,450	653,650	633,750	663,496	598,223	711,751	385,816	275,703	211,821	502,502
Capital projects	22,761	634,728	681,066	259,260	3,213,905	732,246	640,051	376,873	816,458	414,431
Total	<u>\$5,357,424</u>	<u>6,055,292</u>	<u>6,309,197</u>	<u>5,951,283</u>	<u>9,688,417</u>	<u>5,523,725</u>	<u>4,337,865</u>	<u>3,801,588</u>	<u>4,055,251</u>	<u>4,262,046</u>

See accompanying independent auditor's report.



**FALLER, KINCHELOE & CO, PLC**

**Certified Public Accountants**

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Centerville, Iowa (City) as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 8, 2021. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the aggregate discretely presented component units due to the omission of the Centerville Municipal Waterworks, Friends of the Drake Public Library, Centerville Volunteer Firefighters Association, and the Drake Public Library Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items I-A-20 and I-B-20 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item I-C-20 to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, appearing to read "Faller, Kincheloe & Co., PLC".

FALLER, KINCHELOE & CO., PLC

March 8, 2021

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

**I-A-20 Segregation of Duties**

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City of Centerville's (City) financial statements.

Condition – Although one to three individuals are involved in the accounting duties of the City of Centerville (City), the Centerville Public Library (Library) and the Centerville Municipal Airport (Airport), there is insufficient segregation of duties to prevent one individual from having control over each of the following areas:

- 1) Cash – reconciling bank accounts, initiating cash receipts and handling and recording cash.
- 2) Investments – detailed record keeping, custody and reconciling.
- 3) Long-term debt – recording and reconciling.
- 4) Receipts – collecting, depositing, posting and reconciling.
- 5) Accounting system – performing all general accounting functions and having custody of City assets.
- 6) Disbursements – preparing checks, signing checks and access to the accounting records.
- 7) Petty cash – custody, reconciling and recording.
- 8) Payroll – recordkeeping, preparation and distribution.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Response – The City will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

**I-B-20 Preparation of Financial Statements**

Criteria - A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

City of Centerville

Schedule of Findings

Year ended June 30, 2020

Condition - As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause - We recognize that with a limited number of office employees, preparation of the financial Statements and accompanying notes to the financial statements is difficult.

Effect - The effect of this condition is that the year-end financial reporting is prepared by a party outside of the City. The outside party does not have the constant contact with ongoing financial transactions.

Recommendation - We recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements and accompanying notes to the financial statements internally.

Response – These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with an other comprehensive basis of accounting.

Conclusion – Response acknowledged.

I-C-20 Airport Procedures

Criteria – An effective internal control system provides for internal controls related to fuel at the airport to ensure all monies are accounted for properly.

Condition - The Airport buys fuel in bulk and resells the fuel to its customers. However, it does not appear the Airport has procedures in place to provide assurance that all fuel bought for resale is either on hand, sold to customers, or used by the Airport on airport equipment.

Cause – Policies have not been established and procedures have not been implemented to ensure all fuel and rental of facilities is accounted for properly.

Effect – Lack of procedures over fuel purchases could result in unrecorded, misstated, improper or unauthorized adjustments and write-offs.

Recommendation – The Airport should implement procedures to provide assurance that all fuel is accounted for properly, and that all monies received by the Airport from fuel sales are properly collected and deposited to the Airport bank account.

Response – We will review these issues and take appropriate action.

Conclusion – Response acknowledged.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



City of Centerville

Schedule of Findings

Year Ended June 30, 2020

**Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-20 Certified Budget – Disbursements during the year ended June 30, 2020 did not exceed the amounts budgeted.
- II-B-20 Questionable Disbursements - No disbursements were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 2019.
- II-C-20 Travel Expense – No disbursements were noted of City money for travel expenses of spouses of City officials or employees.
- II-D-20 Business Transactions – No business transactions between the City and City officials or employees of the primary government were noted.
- IV-E-20 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- II-F-20 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- II-G-20 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-H-20 Deposits and Investments – No instances were noted of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy.
- II-I-20 Revenue Notes – No instances of non-compliance were noted with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy.
- II-J-20 Financial Condition – As documented in Note 13 in the Notes to the Financial Statements, the Special Revenue, Animal Rescue Fund had a deficit balance of \$197 at June 30, 2020.

Recommendation – The City should monitor the above fund in order to eliminate the deficit.

Response – We will solicit donations in order to eliminate this deficit.

Conclusion – Response acknowledged.

- II-K-20 Disbursements – The City grants money to a local non-profit development organization. There is no agreement between the City and the non-profit development organization which documents how the monies are to be spent and what documentation the non-profit development organization is to provide to the City related to the use of the City funds.

Recommendation – The City should enter into an agreement with the non-profit development organization and require documentation of how the funds were used to accomplish economic development activities.

Response – We will review this issue.

Conclusion – Response acknowledged.